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1. MAYORS REPORT

The speech of Executive Mayor will be produced and presented during Council seating.

2. MAP OF MAFIKENG LOCAL MUNICIPALITY

The following Wards and lists of areas /villages are illustrated on the attached map.

WARD	AREAS/VILLAGES
1	Lekoko, Modimola, Makhubung, Madibe-Makgababa, Magelelo, Tontonyane, Thangwana Ntshana, Serotswana
2	Unit 15, Masutlhe 1 & 2, Kabe, Dibono, Lekung Phadima, Moletsamongwe, Tontonyane, Ext 39
3	Ikopeleng, Miga, Dimorogwane, Makoakgoane & 600
4	Tsetse, Ottoshoop, Farms, Slurry & Burhmansdrift
5	Lomanyaneng
6	Lokaleng, Tlapeng, Moleloane, Unit 3 & 6
7	Golf View, Borola-Tuku & Mafikeng CBD
8	Montshioa, Imperial, Reserve, Unit 1-Montshioa Flats: Bop, Kagiso, Wimpy and Kegomoditswe
9	Riviera Park, Danville, & Part of Lomanyaneng
10	Unit 2,8, 9, part unit 5, Gatholo and Kegomoditswe Flats
11	Seweding, Part of Phola
12	Mocoseng, Unit 12 & 13, Tontonyane
13	Motlhabeng, Dibate, Unit 9, 10 & 8
14	Part of Seweding, Magogoe -Tar & Phatsima
15	Montshioa Stadt, Bokone, Lorwana & Go-nthua,
16	Ramosadi, Part of Motlhabeng & Phola
17	Tloung, Part of Magogoe Tar, Magogoe -Makgetla
18	Tlhabologo, Sehuba, Mapetla
19	Magogoe Koi-koi & Magogoe Central
20	Montshioa and part Ramosadi
21	Majemantsho & Lomanyaneng –Dube
22	Dithakong, Ditshilo, Part of Setlopo & Koi-Koi
23	Lotlhakane, Part of Dithakong
24	Louisdal, Siberia, Mooipan, Lombaartslaagte, Weldevrede, Goedgevonden, Ensulrust, Uitkyk, Brooksby & Mooifontein
25	Nooitgedacht, Naaupoort, Bapong, Bethel, Makouspan, Driehoek & Kaalpan
26	Madibe-a-Tau, Kubu, Letlhogoring, Morwatshetlha, Sebowana, Lekhubu la Seipone, Mantsa, Tsokwana, Ga Molema, Pudongwe, Lekung Tsokwane & Tshunyane
27	Matshepe, Matlhonyane, Setlopo, Rooigrond, Skoongesight, Dihatshwana, Dithakong tsa ga Sehuba, Mothakga & gesight
28	Signal Hill, Part of Molelwane, Lonely Park & New Stands
29	Lonely Park & Libertsa
30	Phola Motlhabeng & Dibate
31	Setlopo 1 & Part of Dithakong

3. BUDGET OVERVIEW: EXECUTIVE SUMMARY

The key reasons for adjusting the budget are that the budget was not realistic and not fully funded. The 2011/2012 Mid-Year review reflected some impediments in the forth coming months if budget was not adjusted and the following necessitated adjustment budget:

- Loss of Rates revenue due to 1000 properties not in the valuation roll dated 1st July 2012
- A number of votes required further adjustments as they would be exhausted around March/April 2012 and
- Application of additional revenue for cash flow purposes necessitated that the necessary adjustments be made.
- While the original budget was reviewed due to the benchmarking exercise undertaken by National Treasury on 13th March 2011, this adjustment budget is done in compliance with MFMA section 28.
- The following were highlighted in the benchmark and are necessary in appropriating funds to various votes:
 - 1) Improving the budget process
 - 2) Mayor's speech to be included in the budget
 - 3) Improvement in Narratives be made
 - 4) Financial plan be included in the IDP
 - 5) Distribution of water account – deficit
 - 6) Alignment of budget to IDP
 - 7) National Treasury to assist in government debt
 - 8) Future growth factor to be taken into account for budget
 - 9) MPRA implementation and to correction of valuation roll
 - 10) Deficit on the refuse removal on services
 - 11) Insufficient provision for repairs and maintenance
 - 12) High Staff expenditure
 - 13) Funding compliance to be met in 2012/2013 and future budgets
 - 14) Repairs and maintenance on infrastructure assets management plans
 - 15) Procurement plans to be submitted with budget submissions
 - 16) Budget line items plans to be submitted with budget submissions

The summary of the adjustment budget indicate decrease in revenue from R417.2 million to R398.1 Million. The revenue generated takes the effects of projected 75% debt collection rate. The bad debt provision is R53.9 Million.

The increase in expenditure was applied mainly to repairs and maintenance expenditure, fuel and oil, electricity, DTI contact services and other votes. Repairs and expenditure increased from R24.7 to R29.8 million in the adjustment budget, DTI (Tedcor) contract increased from R4.5 Million to R 9.0 Million, EPWP job creation from R1.6 Million to R11.2 Million and other expenditures.

The municipality experienced a net deficit of R44.9 Million. The municipality will receive a cash flow of R51.2 Million due to R7.2 Million revenue from EPWP incentive and R44 Million government outstanding assessment rates debt from 2003. The government has already paid this amount. The EPWP incentive is claimed on monthly basis and the department of public works national reimburses the municipality on quarterly basis. There is engagement with department to give payment details. There exist a contact between the municipality and department of public works national. The added revenue will assist in cash flow of the municipality.

An added strategy to assist in bringing in more revenue for the municipality is required. The following are measures to be taken:

- 1) There are engagements between the finance and infrastructure directorates on a project to replace dysfunctional water meters. An additional R971 000 to R2.1 Million from R1.1 Million
 - 2) Investigations on other revenue streams for example refuse removal and sewerage.
 - 3) Valuation roll objections finalization and to add interim valuation
 - 4) In terms of refuse and sewerage charges National Treasury will assist with expert to assist with tariffs verification for proper cost recovery
4. The following expense accounts were critical to adjust in order to create job opportunity and service deliver :
- Implementation of EPWP projects
 - Repairs and maintenance
 - Consultants fees; and
 - Fuel and Oil
 - Eskom (Electricity)

4.1. Summary of Expenditure votes where changes were effected:

Description	Original Budget	Budget Review	2011/2012 Adjustment Budget
Depreciation	6 698 904	(2 423 534)	4 275 370
Employee Salary & Allowances	141 400 727	383 667	141 784 394
Employee Social Contribution	23 994 600	(2 688 032)	21 306 568
General Expenditure	99 070 833	14 649 922	113 720 755
General Expenses: Bulk Purchases	44 520 000	0	44 520 000
General Expenses: Contact Services	13 993 854	5 344 805	19 338 659
General Expenses: Financial Services	5 254 200	(430 751)	4 823 449
Charges	2 829 917	2 145 372	4 975 289
Interest: Borrowing	6 411 489	(1 714 104)	4 697 385
Allowances: Councilors	16 994 706	0	16 994 706
Repairs and Maintenance	24 747 093	5 098 700	29 845 793
Provision for Leave	3 323 127	0	3 323 127
TOTAL EXPENDITURE	389 239 450	20 366 045	409 605 495

4.2. Summary of Revenue votes where changes were effected:

Description	Original Budget	Budget Review	2011/2012 Adjustment Budget
EPWP (Incentive)	0	7 200 000	7 200 000
Fines	1 539 840	1 003 294	2 543 134
Interest : External Investments	725 000	0	725 000
Interest: Arrear Debtors	21 753 180	6 784 910	28 538 090
Income Foregone	(450 000)	(750 000)	(1 200 000)
License & Permits	4 488 220	(378 277)	4 109 943
Operating/Capital Grants & Subsidies	159 589 527	1 893 000	161 482 527
Other Income	1 367 915	(122 851)	1 245 064
Sale Of Assets	536 760	(36 760)	500 000
Rent Facilities & Equipment	2 960 116	6 845	2 966 961
Tariff Charges: Levies	283 339	124 372	407 711
Tariff Charges: Other	1 497 200	2 395	1 499 595
User Charges for Services & Rates	222 134 900	(34 854 738)	187 280 161
Grants	830 000	0	830 000
TOTAL REVENUE	417 255 997	-19 127 810	398 128 186
TOTAL EXPENDITURE	389 239 450	18 366 045	409 605 495
DEFICIT/SURPLUS		28 016 547	-11 477 308

Cash flow for 2011/2012.

	Revenue		Expenditure
Services Revenue	162 267 196	Total Expenditure	409 605 495
Add Grants & Subs Capital & Operating	161 572 466	Less: Bad Debts Provision	-53 953 298
Add EPWP Incentive	7 200 000	Less: Depreciation	-4 275 370
Add Other Gov Rates	44 000 000		
Add other revenue	11 335 226		
Total Revenue	386 374 888	Total Expenditure	351 376 827
Total Deficit/Surplus	34 998 061		

The liquidity of the municipality is not good standing. The cash holding of the municipality is 1 month. It is critically that as the 2012/2013 budget is prepared strategies be in place to remedy the cash flow of the municipality. The shortfall of R43.2 million due to 1000 to rates revenue will affect future revenue of the municipality.

The municipality also experience deficit of between 38% to 45% for refuse removal. The deficit of approximately R26 Million is financed from rates revenue. The municipality in conjunction with National Treasury will investigate the tariffs to establish if the is full recovery in order to finance expenditure.

Cash Flow of the municipality improved because of the inflow of R44 Million of arrear rates from government. Also the R7.2 Million incentive for EPWP. The EPWP is at the center of National government for job creation and poverty alleviation. The Mafikeng local municipality is almost 75 rural and the EPWP activity will assist in reducing the high level of unemployment rates.

In assisting the cash flow additional R 0.971 added to the replacement of dysfunction water meters to R2.1Million. There are engagements between the Infrastructure and Finance directorates to ensure full expenditure before end of financial year. This will ensure additional revenue and reduce water from 45% to acceptable levels.

Proper revenue management, debt collection and implementation of indigent and Debt Collection are looked at and enforced. Review of policies will take place during the 2012/2013 budget preparations.

4.3. The adjustment budget was also performed in accordance with:

- Circular 10 – Budget process
- Circular 19 – Budget process
- Circular 28 – Budget content and format
- Circular 42 – Funding a municipal budget
- Circular 54 – Municipal budget for the 2011/12 MTERF
- Circular 55 – Municipal budget for the 2011/12 MTERF

4.4. Adjustment expenditure appropriations in summary for each directorate are as follows:

Department	Original Budget	2011/2012 Adjustment Allocations	2011/2012 Allocations
Council General	90 979 000	6 603 000	97 082 000
Corporate Support	18 992 000	1 076 000	20 068 000
Finance	29 195 000	760 000	29 955 000
Infrastructure	130 291 000	11 593 000	141 884 000
Public Safety	42 583 000	(309 000)	42 274 000
Community Services	60 679 000	3 826 000	64 505 000
Planning & Development	17 019 000	(3 180 000)	13 839 000

Careful consideration was taking in appropriating the expenditure to various votes and the following were considered:

- 1) Service delivery
- 2) Ensuring that there is turn around on the face of the municipality in terms of roads and cleanliness of town
- 3) Increase in Eskom tariffs
- 4) Increase in fuel and oil prices
- 5) Contractual obligations

4.5. Adjustment revenue appropriations in summary for each directorate are as follows:

Department	Original Budget	2011/2012 Adjustment Allocations	2011/2012 Allocations
Council General	2 742 000	(160 000)	2 582 000
Corporate Support	14 000	15 000	29 000
Finance	277 270 000	(37 279 000)	239 991 000
Infrastructure	107 414 000	14 565 000	121 979 000
Public Safety	6 834 000	1 880 000	8 714 000
Community Services	22 675 000	1 871 000	24 546 000
Planning & Development	308 000	(20 000)	288 000

In appropriating the revenue for directorates it was noted that most activities of the activities are financed from government grants (Equitable Share, MIG and other) and assessment rates. Some directorate's revenues are cautioned by government grants and assessment rates. Directorates in attempting to mitigate their expenditure a review of the following need to be done:

- 1) Use of consultants
- 2) Plans for expenditures per line item
- 3) Phasing in for other matters
- 4) Realistically budgeting for expenditures to be incurred (Cost analysis basis)
- 5) Staffing matters vs Organogram compliance
- 6) Filling of critical posts
- 7) Audit of staff and alignment to activities of directorates
- 8) Core municipal competencies of the in terms of devolution of powers

5. BUDGET PROCESS OPERATING AND CAPITAL

5.1. Planning and Budgeting is central to any organizational sustainability. The planning process outlines the strategic direction that the municipality has to operate on and to ensure 100% achievement. Each Directorate develops SDBIP to ensure that the municipal legislative targets are achieved and to ensure that the institution would meet its legislative mandates.

Department	Original Budget	2011/2012 Adjustment Allocations	2011/2012 Allocations
Council General	500 000	1 250 000	1 750 000
Corporate Support	250 000	(125 000)	125 000
Finance	250 000	(125 000)	125 000
Infrastructure	48 977 000	(28 185 000)	20 792 000
Public Safety	2 250 000	9 355 000	11 605 000
Community Services	11 640 000	(5 732 000)	5 908 000
Planning & Development	750 000	2 250 000	3 000 000

The municipality's capital financing is primarily from MIG (Municipal Infrastructure Grant) for community projects. The R35.3 Million was allocated through DORA (Division of Revenue Act). The administration costs are 5% of the total grant. It is critical the municipality is prudent in spending in order to create surplus that would assist the IDP (Integrated Development Plan) financing.

Dependency on MIG slows down the rapid movement of development in the areas where the communities are disadvantaged. As these assets are created certainty is to be made that funds are available for repairs and maintenance. Assets that are not properly maintained create a burden to the future generations because high cost will be expected for replacement, interest charges and capital redemption costs.

The following IDP strategic objectives need to be observed and budget to be aligned to them and are as follows:

- 1) Empowering citizens
- 2) Sustained the natural and build environment
- 3) Good governance
- 4) Safe, healthy and secure environment
- 5) Operations and support services
- 6) Financial viability and sustainability
- 7) Economic development and Job creation
- 8) Embracing or cultural diversity
- 9) Quality living environment

In mitigating the financial ability and dependency on financial institution, the R20.185 million loans were differed to 2012/2013 financial year. As the deferment would affect service deliver, R2.0 Million was set aside for financing lease of machinery and to repair some implements and to procure other materials to assist in changing the face of Mafikeng in terms of cleaning of town and grass cutting.

- 5.2. Key to the planning phase is the community and stakeholder consultation during the budgeting and IDP planning processes. This process is critical at the municipal level so as to involve stakeholders in planning decisions that affects them directly and indirectly.

Municipal budgeting processes and Integrated Development Planning (IDP) is regulated by legislation such as but not limited to:

- Municipal Finance Management Act
- Municipal Systems Act

- Municipal Structures Act
- Municipal Budget and Reporting Regulations
- Municipal: National Treasury Circulars

The Mafikeng Local Municipality has developed new five year plan and has been coordinated for IDP. The new council was inaugurated in May 2011 and for 2011/2012 the past IDP performance was the basis for IDP review and budgeting processes concurrently. The process for the 2011/12 financial year started with the development and approval of the “Process Plan” in June 2011 for the Budget formulation and for New IDP.

The Process Plan set out a structured approach with similar understanding by all stakeholders on the process to be followed in formulating the IDP and the budget for 2010/11 financial year. The budget process for 2011/12 – 2013/14 MTERF unfolded as outlined in the paragraphs below.

In October 2011, community consultation meetings were held at all the 31 wards of the municipality; this was for the purpose of checking (auditing past projects and programmes) and to establish which wards or sections in a ward benefited more than other. This assisted and to re-prioritization at ward level so as to inform the operating and capital budget for 2012/13. The Integrated Development Plan (IDP) is the only mechanism through which the needs of the community are identified and prioritized.

With an effort to align the budget with the IDP, the Budget Office issued adjustment budget instructions to the directorates thereafter a series of meetings were held with those departments between November 2011 and February 2012. It was at these meetings were the budget policies and the alignment of the operating budget and the IDP were discussed. The departments thereafter submitted inputs and the first draft/working document were compiled in January 2012.

During these adjustment budget compilation processes, the capital budget (MIG) was allocated to cover the higher priority projects in the IDP. During January and February 2011, budget deliberations were held with various directorates and sections with a view to assess the budget and reduce the deficit of R44.4 Million.

CAPITAL BUDGET

Capital budget was changed from R64.6 Million to R43.3. Due to the municipality cash flow deficiencies the municipality postponed the R20.185 Million loan to be acquired for R11.695 Million for roads and R8.490 Million for machinery. There has been addition extra funding of R1.2 Million from provincial government for the building fire station at Ottoshoop and R0.693 Million from lottery for the rehabilitation of Montshiwa stadium. The additional extra funding is R1.893 Million for these two projects.

The R33.6 Million is the MIG funding for capital projects within the municipal area at various wards. The R3.3 Million will be from internal funds to fund various municipal acquisitions of office furniture and equipments. The R4.5 Million will be utilized to fund R3.0 Million for 240ltr two wheeler refuse bins and R1.5Million to fund replacement of vehicles.

5.3. POLITICAL OVERSIGHT OF THE BUDGET PROCESS

Section 53(1) (a) of MFMA stipulates that the mayor of a municipality must provide political guidance over the budget process and the priorities that must guide the preparation of the budget.

The output and outcome on strengthening the development priorities and business plan for expenditure should be enhanced delivery of services aimed at improving the quality of life for all the people within the municipality.

5.4. PROCESS FOR CONSULTATIONS WITH STAKEHOLDERS

The Mafikeng Local Municipality placed great emphasis on the involvement of communities and all its stakeholders in the integrated development planning, budgeting, implementation and monitoring process. In line with MFMA Section 22 which requires that after tabling of the annual budget and IDP in Council, the municipality must make public the tabled budget and invite the local community to submit representations on the budget.

After the approval of adjustment budget on the 29th February 2012 the budget will be placed on council's website in terms of section 21B of MSA (Municipal System Act).

During the directorates consultation meetings for the 2011/12 budget process, issues raised were mainly in respect of service delivery and the slow pace of implementing projects contained in the municipal IDP.

5.5. SCHEDULE OF KEY DEADLINES RELATING TO THE BUDGET PROCESS

The budget and IDP Process Plan which outlines a schedule of Key Deadlines is mainly aimed at ensuring integration between the development of the IDP and the Budget and that thoroughly consulted budget and IDP is tabled and approved by Council within the provisions of the law.

The Schedule of Key Deadline for the review of the IDP and Budget compilations was approved in June 2011 to guide the process before the start of the new financial year.

The following provides an extract of the key deadlines relating to budget and IDP process:

DETAILS	ACTUAL DATE
Municipal Strategic lekgotla to give budget/idp direction for 2012/2013 to 2014/2015 MTREF	23 rd March 2012
Tabling of the Adjustment Budget/IDP for 2011/12 to Council	28 th February 2012
Final Submission of 2012/2013 to 2014/2015 inputs from respective directorates	29 th February 2012
Directorates Discussions for various directorates in terms of 2012/2013 to 2014/2015 Budget	5 th to 9 th March 2012
2012/2013 to 2014/2015 Budget consolidation and to populate in National Treasury Schedules	12 th to 15 th March 2012
Management Meeting for Draft Budget/IDP 2012/2013 to 2014/2015	19 th March 2012
Finance Portfolio Meeting for Draft Budget/IDP 2012/2013 to 2014/2015	20 th March 2012
IDP/Budget steering committee meeting to discuss Draft Budget/IDP 2012/2013 to 2014/2015	22 nd March 2012
Municipal Strategic lekgotla to give budget/idp direction for 2012/2013 to 2014/2015 MTREF	23 rd March 2012
Council meeting to approve the Draft Budget/IDP 2012/2013 to 2014/2015	29 th March 2012
Public hearing on the tabled draft Budget and IDP for 2012/13 to 2014/2015 Mayoral Izimbizos	3 rd to 12 th April 2012
Bench Mark exercise to discuss the Draft Budget/IDP 2012/2013 to 2014/2015	Date to confirm
IDP/Budget Budget steering committee meeting to discuss Draft Budget/IDP 2012/2013 to 2014/2015	15 th May 2012
Approval of the final budget and IDP	31 st May 2012
Submission of the draft SDBIP to the Executive Mayor	14 th June 2012
Approval of the SDBIP by the Executive Mayor	28 th June 2010

5.6. Salaries

Salaries adjustment budget took in account all existing employees. For details of the current financial year and increases taken into account for this budget refer to table below:

Description	Original	Adjustment Effect	2011/2012 Adjustment Budget
Salaries & Wages	127 882 000	2 061 000	129 943 000
Contributions: UIF Pens Med Aid	23 995 000	(2 688 000)	21 307 000
Housing Allowance	1 192 000	(444 000)	748 000
Overtime	5 347 000	(20 000)	5 327 000
Bonus	6 965 000	(1 235 000)	5 730 000
Travel /Locomotion allowance	4 872 000	(649 000)	4 223 000

The human resource compensation was reduced by net R2.4 Million to R167.2 million. Main reductions were on bonuses and contributions for pensions. The municipality for 2011/2012 experienced problems in terms of awards by CCMA when R2.4 million was paid to 9 officials. Also the R5.5 million is in the Sherriff trust account due to the award is in dispute because the interest charges were more than capital. Council raised concern regarding the matter.

These matters were serious in nature because they were not provided as disclosure noted in the 2009/2010 financial statement as contingent liabilities. The amount is material and at the moment the R5.5 million is earning interest in the Sheriff account. The municipality is struggling with cash flow. Enforceable strategies need to be in place to ensure that human capital does not go the root of CCMA. This will prevent labour surprises. The ward committee members stipend was increased from R1.7 to R2.7 million. The action was as the result of aligning the stipend to the regulations from R0.500 to R0.1000 per member per sitting. It will also be noted that the municipal wards were increased from 28 to 31 and this will have impact on ward committee stipend and councilors allowances.

The awards had costs implications post the award because the relevant employees were placed on the award's posts and were remunerated accordingly and the benefits to commensurate the salaries.

The councilor's allowances remained unchanged at R16.9 Million. These allocations will accommodate the allowances of councilors as follows:

- 1) The Executive Mayor
- 2) The Speaker
- 3) The Whip of Council
- 4) The Chairperson of MPAC

- 5) Members of Mayoral Committee (10 in Number)
- 6) Other Councilor (48 in Number)
- 7) Tribal Representatives (2 in Number)

5.7. Mayor's discretionary fund and similar budget allocations

No provision was made in the 2011/12 in the original and adjustment budget as well as the outer-years for Mayor's Special Projects account since MFMA Circular 51 (No. 4.2) prohibits the creation of such votes as this kind of allocations are in contradiction with 'Good budget practice'. National Treasury regards these types of allocations as a bad practice because:

- It is not clear how they are aligned to the constitutional requirement that municipalities should structure their budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community (see section 153 of the Constitution);
- They do not provide for the appropriation of funds for the purposes of a department or functional area of the municipality (see the definition of 'vote' in section 1 of the MFMA)
- They undermine the budget consultation processes since the intended use of the funds is not transparently reflected in the tabled budget; and
- There is a risk that they may be abused for personal gain or to improperly benefit another person or organization.

However, new votes are being created to cater for the following line items:

- Children
- Women
- Youth
- The aged and disabled

6. MEASURABLE PERFORMANCE AND INDICATORS

The strategic objectives, key performance areas and measurable indicators for all Directors are outlined in the IDP document. These are further detailed in the service delivery budget implementation plan (SDBIP) of each director as a performance agreement.

The SDBIP document serves the purpose of operationalising the strategy objectives contained in the IDP document.

7. BUDGET RELATED POLICIES: OVERVIEW AND AMENDMENTS

7.1. Credit Control and Debt Collection Policy

This policy aims to address the key issues and challenges of credit control and debt collection. The strategic aim is to create an enabling environment in which the objectives of credit control and debt collection can be realized. This policy also serves as a guide in the legislative implementation processes necessary to ensure optimal revenue generation and collection, since increased revenue forms the base for effective service delivery, infrastructure development and investment as well and economic growth,.

The municipality has adopted this policy in recognition to its constitutional obligations of developing the local economy and the provision of acceptable services to the residents.

7.2. Assessment Rates

Rates represent the charges levied by council on properties. This policy aims to address the key issues and challenges of levying assessment rates. The strategic aim is to create an enabling environment in which the objectives of revenue generation can be realized.

The primary objectives of the assessment rates policy are to ensure that

- the assessment rates of the municipality conform to acceptable policy principles
- municipal services are financially sustainable
- there is certainty in the council of how the assessment rates will be determined
- assessment rates of the municipality comply with the applicable legislation;

It must be stated that the municipality experienced challenges with the first implementation of the new Municipal Property Rates Act (MPRA), which was implemented on 1 July 2006. There were also challenges in implementing the 1 July 2011. These challenges included outstanding 2006 and 2011 objections. It is anticipated that these matters will be resolved in the 2011/2012 financial year. Failure to do so will have an impact in the 2012/2013 rates revenue including the outer years.

7.3. Burst Pipe Policy

The water burst pipe policy aims to give consumers a relief in case there was an abnormal consumption due to a water pipe leakage on the side on the consumer's infrastructure. Under those circumstances the consumer is charged for his/her three (3) months average water consumption and charged at normal cost plus 10%.

The onus remains on the consumer to present an invoice of repair of the leaking pipe.

7.4. Supply Chain Management Policy

The Municipality has adopted the Supply Chain Management Policy to be applied as a guide where there is a need to procure goods or services, dispose goods which are no longer needed, select contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies, or to select external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision municipal services in circumstances contemplated in section 83 of the Act.

However, the adopted policy does not apply (except where provided otherwise) in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including:

- Water from the Department of Water Affairs or public entity or from another municipality, and
- Electricity from Eskom or another public entity or another municipality.

The policy is amended to have an effect on prospective suppliers of goods and service from an amount of R10 000.00. The extension to R10 000 was as the result of suppliers not register for VAT and not paying for municipal services hence the inclusion of MBD8 with request for quotations from R10 000.

7.5. Investment Policy

The purpose of establishing a formal investment policy, as approved by council, was to set broad guidelines within which invest of funds can be made in compliance with the Municipal Finance Management Act, 2003 (Act No.56 of 2003), and the Municipal Investment Regulations prescribed by the Minister of Finance on 1 April 2005 in a Government Gazette No.27431.

The primary objectives of all investments are based on a proper risk analysis before any investment is made. The secondary objective is that the investment made shall be met by the liquidity of the council. The third objective shall be to achieve the maximum return as possible after the primary and secondary objectives are fulfilled.

7.6. Virement Policy

The Council approves a medium term expenditure framework budget (3-year budget) before the start of the financial year. The approved budget is an estimation of the activities in financial terms period. The budget consists of an operating and a capital budget based on the strategic objectives of the local government. In practice, as the year progresses, circumstances may change such that certain estimates are under-budgeted and others over-budgeted. It is not practical to refer any such deviations to Council and it is therefore common practice to delegate certain authority for transfers to the executive mayor and senior officials. Hence the development and approval of this policy which provides a guide in the movements funds from one vote to the other.

7.7. Asset Management Policy

The municipality has developed and adopted this policy for the purpose ensuring that the Municipality's fixed assets are acquired, safeguarded, controlled, disposed off and accounted for in accordance with the Provincial Municipals regulations, the Municipal Finance Management Act 56 of 2003 (MFMA), Auditor General's requirements, applicable accounting pronouncements, such as General Recognized Accounting Practices (GRAP), and in appropriate manner applicable to the management and control of fixed assets.

In addition this policy further addresses the following issues with respect to fixed assets:

- Assignment of responsibility and accountability for fixed assets;
- Definition of the capitalization thresholds for fixed assets;
- Definition of fixed assets
- Method of valuation of old/existing fixed assets;
- Definition of old/existing *vis-à-vis* new fixed assets;
- Ownership of the provincial municipal's fixed assets;
- The general provisions about acquisition, disposal, depreciation of fixed assets;
- management system used to account for and control fixed assets; and
- The property management (with respect to immovable property)

The policy was amended during the 2010/2011 for application for future financial years in order to take GRAP accounting and reporting basis into account.

7.8. Payments policy

The purpose of the payments policy is to give guidelines to ensure that the municipality pays for goods and services utilised by the municipality within the voted funds. (*Correct amounts, on time, valid suppliers*).

7.9. Petty Cash Policy

The Petty Cash Policy is developed for the control of Petty Cash to be used at the municipality. The policy also outlines sound financial control measures which includes amongst others, the total cash float to be kept in a safe (which is limited to R2 500-00) as well as the handling thereof which is limited to two municipal officials working at the Finance directorate.

7.10. Subsistence and Travelling Policy

This policy details the approval and payment of a subsistence and travel allowance for the purposes of official travelling to other municipalities, cities and towns.

7.11. Employment Practice Policy

The policy is in draft format and has been work-shopped with senior and middle managers. the other stakeholders are still outstanding.

The main purpose of this policy is to:

- promote good human resource management and career development practices, to maximise human capital potential; and
- ensure that MLM 's administration is broadly representative of SA people, with human resources management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation.

7.12. Overtime Policy

The policy is in draft format and has been circulated for comment by all stakeholders.

The purpose of the overtime policy is to regulate and restrict time worked by Council employees, such that it is reasonable and within the scope of work and budget.

7.13. Indigent Policy

The policy has been developed to ensure the provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the council; and to provide procedures and guidelines for the subsidization of basic service(s) charges to its indigent households, using the council's budgetary provisions received from central government in accordance with prescribed policy guidelines.

7.14. Budget Policy

The purpose of this policy is to control and inform the basis, format and information that are included in the Budget documentation.

7.15. Outdoor Advertising Policy

The aim of this policy is to provide an effective control to all outdoor advertising within the municipal jurisdiction and also to provide for a uniform tariff to prospective advertisers.

7.16. Review of Policies

The above policies will be reviewed with the 2012/2013 budget processes:

- ✓ Credit Control and Debt Collection
- ✓ Assessment Rates
- ✓ Burst Pipe
- ✓ Supply Chain Management
- ✓ Land Disposal
- ✓ Outdoor Advertisement
- ✓ Overtime
- ✓ Investment
- ✓ Virement
- ✓ Asset Management
- ✓ Payment
- ✓ Petty Cash
- ✓ Subsistence and Travelling
- ✓ Budget
- ✓ Indecency
- ✓ Engagement of Temporary Staff

7.17. Policies Presented to Council to be approved:

The following policies need to be workshoped and finally approved by council.

- ✓ Bad Debt Provision and write off
- ✓ Borrowing Management
- ✓ Telephone

- ✓ Funding and reserves

7.18. Policies/Strategies developed and still to be approved:

The following policies are at draft stage and need to be approved by council.

- ✓ Cash Management and Investment
- ✓ Fraud prevention strategy
- ✓ Revenue Management
- ✓ Risk management implementation plan
- ✓ Risk management
- ✓ Risk management register (Top 10)
- ✓ Tariff

8. ALIGNMENT OF BUDGET WITH THE INTERGRATED DEVELOPMENT PLAN

Integrated development planning in the South African context is amongst others an approach to planning aimed at involving the municipality and the community to jointly find best long term solutions to sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning development and decision making in the municipality. The IDP the result of the planning process and is subject to annual revision.

8.1. Strategic Focus

The municipality aligned itself with the National and Provincial planning directives and frameworks which include amongst others – the National Spatial Planning Perspectives (NSDP), National Vision 2014, the Medium Term Strategic Framework and the National Key Performance Indicators as well as the Provincial Growth and Development Strategy (PGDS). All these are aimed at building a sense of unity and responsibility among all sectors of the society towards reducing poverty and unemployment, creating jobs and ensuring socio-economic transformation in the country.

The focus has also been on the contribution towards the prescribed Five Local Government Strategic Agenda which includes – the provision of Basic services and Infrastructure investment, ensuring municipal financial viability and management, Improvement of Local Economy, institutional development and organizational transformation and to encourage good governance and ward committee system.

8.2. Municipal Values

The municipality will develop its values that drive the revised vision at the ensuing strategic planning session.

8.3. Political Priorities and Linkages to the IDP

IDP is the framework for development. It is also through the IDP that an effort is made to co-ordinate the work of local and other spheres of government in coherent plans to improve the quality of life for all.

The capital expenditure in the 2011/12 medium term budget has been allocated in accordance to the development priorities in the IDP. It is (IDP) basis for resource allocation and all the resources are focused on the achievement of the identified development priorities.

The adjustment budget process does not affect the original infrastructure project allocation, mainly since there was no review of MIG allocation in DoRA. It is critical to be noted that the municipal budget is not aligned to IDP objectives. In the 2012/2013 efforts will be made that is compliant in this area. SDBIP's as well for measuring performance will be linked to the IDP.

8.4. IDP Review Process and Stakeholder Participation

The IDP is a five year plan which is supposed to be reviewed on an annual basis for the purpose of affording the community and stakeholders an opportunity to input in the planning and budgeting decisions. There has always been a commitment by the municipality, despite resource limitations, to address the needs of the community.

The second generation of the IDP is undergoing its final review. MSA (2000) regulates and emphasises the importance of community and stakeholder consultation in the annual IDP review process. Of great importance, is for the municipality to create conditions for the community and strategic stakeholders to participate in the affairs of the municipality, including in the preparation, implementation and review of its integrated development plan and the preparation of its budget. For the 2012/13 IDP Review, Council has embarked on an extensive consultation programme to engage with stakeholders during the initial drafting stages. Following these consultations and tabling of the draft document, public participation followed with the aim of giving citizens and stakeholders to submit comments.

Annually, as the draft is completed and tabled in Council, the following mechanisms were used to ensure effective participation and consultation on the draft:

- The draft was placed on the Council website for perusal and comment

- Placing of the draft at strategic public places i.e Council libraries, municipal offices, Traditional Authorities' offices etc
- Local media (including community newspapers) was informed of the IDP review and the needs for community and stakeholder inputs

The purpose of the current exercise is not to change the IDP which was consulted with the communities when the 2012/13 budget was drawn up, but rather to re-align spending pattern after evaluating the mid-year performance.

8.5. Link between the IDP and the Budget

The Municipal Structures Act, MFMA and MSA dictate that the municipal budget and IDP must be aligned. In the case of Mafikeng Local Municipality, the total alignment of the IDP and budget has somewhat not been achieved; allocation of the operating expenditure is not explicit in the achievement of the IDP but allocation on the capital expenditure is undertaken in a manner that will ensure that our IDP objectives are achieved.

In reporting progress on the municipal targets during the National Treasury Monitoring week (13th May 2011) most directorates indicated that it was difficult to eradicate backlogs due to the low revenue base of the municipality.

The implication of the low revenue base is felt in a low percentage of the operational budget allocated for repairs and maintenance of capital projects. An amount of R35.3 million allocated in the adjustment budget remains inadequate for the purpose.

9. OVERVIEW OF BUDGET FUNDING

9.1. Loans and Investments

The amounts in the investment accounts of the municipality are of short-term nature. All investment are made cautiously in line with MFMA prescripts and Investment Policy of the municipality. Separate accounts are kept for MIG conditional grant and other operating investments. The municipality has only one primary account as required by MFMA.

The municipality has loans with DBSA, INCA and a long-term debt with Standard bank for the lease of vehicles. All the loans were used to fund capital assets and these loans are regularly serviced.

Balance on these loans as at 01 July 2010 amounted to R52.2 million compared to R46.4 million on the 1 July 2011:

FINANCE	2010 BALANCE	2010/2011 Redemptions	2011 BALANCE
DBSA	R28.0 million	R4.2 million	R23.1 million
INCA	R19.6 million	R1.2 million	R18.3 million
Standard Bank (Capital leases)	R 7.3 million	R2.4 million	R4.9 million

9.2. Sources of Funding

Mafikeng Local Municipality is suffering from a low revenue base due to the municipality not distributing electricity.

The sources of funding are:

- ✓ Assessment rates
- ✓ Sanitation
- ✓ Waste removal
- ✓ Water
- ✓ Government grants and subsidies, and
- ✓ Other tariff-related services.

9.3. Reserves/Surplus – Cash backed

The surpluses and reserves which accumulated over the years are not cash-backed as a result a motivation was submitted to Council to seek approval to write these off. Another reason for requesting the write-off is the requirement for the municipality to covert from IMFO basis of reporting to GRAP basis. This will affect the AFS (annual Financial Statements).

The municipality is not in a position to set aside cash partly due to a low revenue base and partly due to huge debtors outstanding.

9.4. Grant Allocations

The following grants are utilized to fund the programmes/projects in accordance with the conditions of the particular grant:

GRANT	PURPOSE	AMOUNT
Municipal Infrastructure Grant (MIG)	Infrastructure	35 381 000
Expended Public Works Programme (EPWP)	Construction of infrastructure in EPWP format/mode	966 000
Financial Management Grant (FMG)	MFMA Interns, Financial Management skills training, improving Annual Financial Statements	2 000 000
Library Grant	Defray library expenses	670 000
Municipal Systems Improvement Grant (MSIG)	Asset management and public participation	830 000

As conditions of these grants, monthly returns must be submitted to ensure that the grants are spend in line with their conditions. So far there is progress on the spending of all grants except for the EPWP grant which was only introduced during the remaining half of the financial year.

Preparations to employ people and commence spending on the grant started during the later part of February 2011. The municipal target is to employ 500 at R80.00 per member per day. The municipality will be reimbursed R60.00 per member per day for job created. The municipality will have to claim monthly and the department of public works national will quarterly reimburse the municipality.

9.5. Debt collection Rate

The debt collection rate in the table below is distorted by the payment made by government (Department of Public Works) where the major portion of debt is made for property assessment rates. Government pays a lump sum, normally in October.

Although the debt collection rate has improved in comparison with the previous two financial years, the debt of the municipality is still very high. The debt collection rate is forecast to average 75%. The campaign to collect debt is continuing in line with the Financial Recovery Plan and Municipal Support Plan developed by National Treasury for municipality.

The municipality is also taking advantage of the programme run by the Department of Local Government and Traditional Affairs. The consultants from this project

have also collected government debt information to assist since it is difficult to collect, especially from Department of Public Works (National).

10. FINANCIAL STRATEGY

The financial strategy of the municipality is contained in a detailed document titled "Financial Recovery Plan and Municipal Financial Support Plan". The plan was drawn up with the assistance of National and Provincial Treasury. Section 139 (c) was invoked as part of the intervention and to kick-start the implementation of the strategy.

This Financial Recovery Plan and Municipal Financial Support Plan has been prepared in line with Section 142 of MFMA, after reviewing past and current information, intensive engagement with municipal and provincial officials, and is aimed at securing the Municipality's ability to meet its obligations, provide basic services in a sustainable manner and to strengthen its financial situation.

Although the municipality is faced with financial challenges there other factors impacting on its performance include the institutional capacity, organisational structure and assignment of powers and functions.

The other governance and administrative issues were addressed through the appointment of the Administrator.

The financial strategy consists of six (6) components for easy implementation:

- Restructuring of the budget
- Increases revision of the tariff policies and tariff increases
- Revenue enhancement
- Strengthening financial administration and internal controls
- Cash management strategy
- Human resource management

11. DISCLOSURE ON IMPLEMENTATION OF MFMA & OTHER LEGISLATIONS

Mafikeng Local Municipality is a low capacity municipality and it is complying with the Municipal Finance Management Act (MFMA) and other legislations. Progress with regards to this was presented to the National Treasury Monitoring team on 13th May 2011.

12. SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

The SDBIP is a key management, implementation and monitoring tool, which provides operational content to the end of the year service delivery targets, set in the budget and IDP. The performance of the municipality is measured in term of the SDBIP.

The SDBIP of the municipality was developed in accordance to the development priorities and objectives as set out in the Municipal IDP which also contains annual and quarterly targets. It also reflects Capital and Operational budgets per project as well as the projected quarterly expenditure per project as per the allocated budget.

It is imperative that the SDBIP's of the Sec 57 Managers be re-visited due to some changes in the priorities which were aligned with the original budget. These documents will be revised immediately after the approval of the adjustment budget.



MAFIKENG LOCAL MUNICIPALITY

NW383

QUALITY CERTIFICATE

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ANNUAL ADJUSTMENT BUDGET: 2011/2012

I, **Kgotso Rabanye**, the Municipal Manager of **Mafikeng Local Municipality** hereby certify that the annual adjustment budget and supporting documentation have been prepared in accordance with the **Municipal Finance Management Act, Act 56 of 2003** and the **Regulations No. 32141 of 17th April 2009** made under the Act, and that the annual adjustment budget and supporting documentations are consistent with the Integrated Development Plan of the Municipality.

NAME: KGOTSO RABANYE

Signature:

Date 28th FEBRUARY 2012